

Message Text

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ACTION EUR-12

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EA-07 FRB-03 INR-07 IO-13 NEA-10 NSAE-00 USIA-06
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OMB-01 STR-04 XMB-02 MMO-01 /091 W
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E.O. 11652: N/A
TAGS: EGEN, EFIN, GR
SUBJECT: GREECE: UPDATE OF 1977 ECONOMIC PROJECTIONS

REF: A 76 ATHENS A-167; B 76 ATHENS 13250; C ATHENS A-29;
D ATHENS 3434.

1. INTRODUCTION AND SUMMARY: PROVISIONAL DATA ON GREECE'S
1976 NATIONAL ACCOUNTS SHOW A SURPRISINGLY HIGH SIX PERCENT
REAL GROWTH IN GNP AT MARKET PRICES (\$11.3 BILLION IN CONSTANT 1970
PRICES; AT CURRENT PRICES, \$22.7 BILLION, OR PER CAPITA
GNP OF \$2,489). ECONOMISTS AT THE CENTER FOR PLANNING AND
ECONOMIC REASEARCH ARE NOW UNOFFICIALLY REVISING THEIR
1977 ESTIMATES UPWARDS TO BETWEEN 6 - 7 PERCENT (CF. REF B).
GOG AND BANK OF GREECE ARE CONCERNED ABOUT INFLATIONARY PRESSURES,
BUT THE 1977 PROJECTIONS REMAINS AT 10 - 12 PERCENT. THIS
YEAR'S BALANCE OF PAYMENTS FORECAST IS ALSO UNCHANGED FROM
THAT IN REF C. HOWEVER, BANK OF GREECE DATA FOR THE FIRST
TWO MONTHS OF 1977 SHOW A DROP IN THE CURRENT ACCOUNT
DEFICIT OF OVER 30 PERCENT VIS-A-VIS 1976 (REF D), DUE TO A
13 PERCENT DECLINE IN THE TRADE DEFICIT (EXPORTS ROSE OVER 25
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PERCENT AND IMPORTS BY ONLY ONE PERCENT) AND AN 11 PERCENT
INCREASE IN NET INVISIBLES, PRIMARILY BECAUSE OF HIGHER SHIPPING
AND TOURISM RECEIPTS. END SUMMARY.

2. PROVISIONAL 1976 NATIONAL ACCOUNTS: GROSS NATIONAL PRODUCT,
MARKET PRICES: ACCORDING TO NATIONAL STATIISTICAL SERVICE
PROVISIONAL DATA, GREECE' GNP AT MARKET PRICES GREW BY SIX

PERCENT IN REAL TERMS (CONSTANT 1970 PRICES), VIS-A-VIS 5.7 PERCENT AND MINUS 3.8 PERCENT IN 1975, AND 1974 RESPECTIVELY. (FYI: DUE TO CONTINUOUS REVISION OF NATIONAL ACCOUNTS, THE LATTER TWO RATES DIFFER SOMEWHAT FROM THOSE REPORTED PREVIOUSLY IN REF A. FIGURES FOR 1973 AND 1975 HAVE BEEN REVISED SLIGHTLY UPWARDS AND FOR 1974 SLIGHTLY DOWNWARDS. ALTHOUGH IN MORE DETAILED ANALYSES OF A NATIONAL ACCOUNTS WE WILL CONTINUE TO REPORT BOTH GDP AND GNP AT FACTOR COST AND IN MARKET PRICES, ALL FUTURE REFERENCES TO GNP, IF NOT DEFINED, WILL MEAN GNP AT MARKET PRICES, IN CONFORMITY WITH OECD, US, AND GOG USAGE. END FYI.) PRIVATE CONSUMPTION WAS LIVELY, GROWING BY 5.5 PERCENT, WHEREAS GOVERNMENT CONSUMPTION EXPENDITURES WERE ONLY 3.3 PERCENT HIGHER THAN IN 1975. GROSS INVESTMENT WAS UP BY 6.5 PERCENT. PRIVATE INVESTMENT WAS PARTICULARLY STRONG, RISING 8 PERCENT, BUT MUCH OF THIS WAS DUE TO CONSTRUCTION OF DWELLINGS. GOVERNMENT INVESTMENT INCREASED BY ONLY 2.6 PERCENT, AND THE CHANGE IN INVENTORIES WAS EVEN LOWER THAN IN 1975. A DECLINE IN NET BORROWING AND TRANSFERS FROM ABROAD WAS A FUNCTION OF THE IMPROVED BALANCE OF PAYMENTS OUTCOME, SINCE HIGHER FOREIGN EXCHANGE INFLOWS (INVISIBLES AND DEPOSITS IN FOREIGN EXCHANGE) ENABLED THE GOG TO FINANCE ITS BUDGET DEFICIT PRIMARILY BY INTERNAL BORROWING.

3. GROSS DOMESTIC PRODUCT: GDP AT FACTOR COST GREW 5.4 PERCENT IN REAL TERMS IN 1976, VIS-A-VIS 4.5 PERCENT IN 1975 AND MINUS 1.8 PERCENT IN 1974 (REVISED FIGURES). PRIMARY SECTOR INCOME ACTUALLY FELL 1.5 PERCENT, AS LOWER PRODUCTION OF LIVESTOCK, COTTON AND OLIVE OIL MORE THAN OFFSET INCREASES IN GRAINS, CITRUS FRUIT AND TOBACCO. SECONDARY SECTOR INCOME LIMITED OFFICIAL USE

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WAS 8.8 PERCENT HIGHER, WITH MANUFACTURING UP BY 9.8 PERCENT. LIVELY DOMESTIC AND EXPORT DEMAND AND PROGRAMS TO SUBSTITUTE DOMESTIC ENERGY SOURCES (MAINLY LIGNITE) FOR IMPORTED OIL STIMULATED PRODUCTION OF LIGNITE, FOOD-STUFFS, TOBACCO, TEXTILES, CLOTHING AND FOOTWEAR, CEMENT, METALLURGICAL PRODUCTS AND ELECTRICAL MACHINERY. INCOME FROM CONSTRUCTION ROSE ONLY 5.4 PERCENT, NOT YET FULLY RECOVERED FROM THE 1974 SLUMP. THE TERTIARY SECTOR, BOOSTED BY HIGHER TRADE AND BANKING ACTIVITIES, TOURISM, AND DEFENSE EXPENDITURES INCREASED BY 5.5 PERCENT.

4. 1977 PROJECTIONS: THE GOG NOW EXPECTS A REAL 6 - 7 PERCENT GROWTH IN GNP AT MARKET PRICES THIS YEAR. THE OUTLOOK FOR THE PRIMARY SECTOR IS, HOWEVER, UNCERTAIN SINCE ADVERSE WEATHER CONDITIONS HAVE ALREADY CAUSED SOME DAMAGE, PARTICULARLY TO WINTER CROPS (GRAINS). AS DOMESTIC AND EXPORT DEMAND CONTINUES TO GROW, THE INCREASE IN SECONDARY PRODUCTION WILL PROBABLY EXCEED THAT OF 1976. TERTIARY SECTOR SHOULD ALSO EXPAND, AS TOURISM, DEFENSE, TRADE AND BANKING, AND PUBLIC ADMINISTRATION ACTIVITIES EXPAND.

5. MONETARY TARGETS: GOG MONETARY TARGETS FOR 1977 ARE 14 PERCENT GROWTH IN CURRENCY IN CIRCULATION (CF. 12 PERCENT TARGER IN 1976) AND 20 PERCENT EXPANSION IN CREDITS TO THE PRIVATE SECTOR OF ECONOMY, THE SAME TARGET AS LAST YEAR. ACTUAL 1976 RESULTS (DECEMBER TO DECEMBER) SHOWED A RISE IN CURRENCY IN CIRCULATION OF 23 PERCENT AND IN PRIVATE SECTOR CREDITS OF 24 PERCENT.
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Message Attributes

Automatic Decaptioning: X
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Sent Date: 29-Apr-1977 12:00:00 am
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Disposition Approved on Date:
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Litigation Codes:
Litigation History: Hold (001 Tobacco) added on 4/16/2009 3:39:03 PM by WASHDCMcGoldRJ, Hold (001 Tobacco) removed on 4/16/2009 3:45:06 PM by WASHDCMcGoldRJ (Litigation Hold Lifted)
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